

Message Text

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ACTION NEA-11

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L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11

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TO SECSTATE WASHDC 8326

INFO AMEMBASSY AMMAN

AMEMBASSY DAMASCUS

AMEMBASSY TEL AVIV

C O N F I D E N T I A L SECTION 1 OF 2 BEIRUT 3333

E.O. 11652: GDS

TAGS: EINP, PINT, LE

SUBJ: CEMENT PLANT POLITICS IN NORTH LEBANON

REF: (A) BEIRUT 3271, (B) BEIRUT 3266

1. SUMMARY: WORK STOPPAGES AT CEMENT PLANT IN NORTH LEBANON, WHICH WERE CAUSED BY THE POLITICAL STRUGGLE BETWEEN THE PHALANGE PARTY AND THE NORTHERN MOUNTAIN LEADERSHIP OF THE FRANJIYAH CLAN (BEING REPORTED SEPARATELY), ALSO HAVE A SERIOUS ADVERSE EFFECT ON LEBANESE EXPORTS AND EXPORT REVENUES. END SUMMARY.

2. LEBANON'S HIGHLY LUCRATIVE CEMENT INDUSTRY IS CENTERED ON THREE PLANTS LOCATED SIDE BY SIDE ON THE COASTLINE AT CHEKKA IN NORTH LEBANON. OUTPUT OF THESE PLANTS WAS APPROXIMATELY 1.4 MILLION TONS IN 1977, WHICH AT GOL-CON WROLLED PRIME OF LL 134/TON EX-FACTORY BROUGHT REVENUES OF LL 193 MILLION TO THE PLANT OWNERS. CENMENT DISTRIBUTION IN LEBANON IS NOT INTEGRATED DOWNSTREAM; INSTEAD, PRIVATE TRUCKERS AND DEALERS PURCHASE EX-FACTORY FOR RESALE.

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3. RIGHTS TO PURCHASE CEMENT FROM THE FACTORIES TAKE THE FORM OF "BONDS." CEMENT BONDS ARE MUCH IN DEMAND, AS MARGINS ON THE TRADE ARE ATTRACTIVE: CEMENT PRICES AT RETAIL HAVE TOUCHED LL 500/TON WITHIN LEBANON AND AT PEAK 1977 RATES REACHED LL 1000/TON DELIVERED IN SAUDI ARABIA. CROSS-BORDER SMUGGLING TO SYRIA IS YET ANOTHER PROFITABLY ANGLE TO THE BUSINESS. BECAUSE CEMENT BONDS ARE TRANSFERABLE, ACCESS TO

THEM CONFERS AN OPPORTUNITY FOR PROFITABLE RESALE WHETHER OR NOT THE HOLDER HAS A STAKE IN CEMENT TRANSPORTATION OR RETAILING; I.E., THEY ARE PRIME POLITICAL COIN AND CONTROL OF THEM MEANS LITERALLY MILLIONS OF POUNDS OF INCOME.

4. POLITICAL PRE-EMINENCE IN THE CHEKKA REGION BELONGS BY TRADITION TO THE CLANS OF ZGHARTA LED BY THE FRANJIYAH FAMILY. THE PRESIDENCY OF SULEIMAN FRANJIYAH (1970-76) COINCIDED WITH THE EMERGENCE OF CEMENT AS A MAJOR BASIC INDUSTRY IN LEBANON AND THE NATIONWIDE ASCENDANCY OF FRANJIYAH PATRONAGE AND INCOME. WHETHER FRANJIYAH DOMINANCE OF THE CEMENT BUSINESS HAD ITS ROOTS IN THE ZGHARTA ORIGIN OF MOST OF THE CHEKKA WORK FORCE, ACCESS TO THE PURCHASE BONDS, PLAIN EXTORTION, OR ALL THREE IS ACADEMIC -- THE PLANTS WERE FRANJIYAH TURF UNTIL THE ONSET OF CIVIL HOSTILITIES IN 1975-76. DURING THE FIGHTING, PHALANGIST POLITICAL INFLUENCE SPREAD NORTHWARD FROM THE METN, KESROUAN AND JBAYL DISTRICTS TO ENCOMPASS BATROUN AND CHEKKA, THEREBY SETTING THE STAGE FOR A DIRECT CLASH BETWEEN THE PHALANGE AND THE FRANJIYAHS FOR CONTROL OF THE CEMENT FACTORIES.

5. THE YEAR 1977 WAS CALM, BUT EARLY IN 1978 EX-PRESIDENT FRANJIYAH EOMPLAINED PUBLICLY OF PHALANGIST "ENCROACHMENT" IN NORTH LEBANON. RELATIONS BETWEEN FRANJIYAH AND THE OTHER MARONITE LEADERS SOURED RAPIDLY. ON MAY 23, A CLASH IN BATROUN SOUTH OF CHEKKA CLAIMED THE LIVES OF SIX FRANJIYAH SUPPORTERS. CONFIDENTIAL

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COINCIDENTALLY, RETAIL CEMENT PRICES IN BEIRUT HAD CLIMED FROM LL 150/TON ON MAY 15 TO LL 170 MAY 22 AND BY MAY 27 ATTAINED LL 200-220 ON THE STRENGTH OF HIGH EXPORT DEMAND. THE RISE UNDOUBTEDLY QUICKENED COMPETITION FOR CEMENT BONDS AND MAY THEREBY HAVE ACTED TO MAKE CHEKKA THE LOCUS OF A SHOWDOWN CONFRONTATION BETWEEN THE PHALANGIST "ENCROACHERS" AND THE TRADITIONAL ZGHARTAWI OVERLORDS.

6. ON MAY 31, AN ARMED CLASH IN THE MESS HALL OF THE ETERNIT FACTORY IN CHEKKA CAUSED SIX DEATHS. OSTENSIBLY, THE ARGUMENT OCCURRED OVER EMPLOYEES' RIGHTS IN THE PLANT, BUT INSTANT CONVOCATIONS OF THE LEBANESE FRONT IN BEIRUT AND OF THE ZGHARTAWIS IN ZGHARTA SHOWED THAT LARGER ISSUES WERE AT STAKE. "TAXATION" OF TRUCK OWNERS AND OF PLANT EMPLOYEES SURFACED AS A FACTOR. THE CEMENT PLANTS SHUT DOWN JUNE 1, CITING "PRESSURE FROM POPULAR PARTIES", WHEREUPON THE LEBANESE FRONT DECLARED AND SUCCESSFULLY ENFORCED A "STRIKE" BY THE CHEKKA WORKERS. ACTS OF VIOLENCE CONTINUED. ON JUNE 7, ZGHARTAWI ASSAILANTS KILLED THE NUMBER TWO RANKING PHALANGIST PARTY OFFICIAL FOR NORTH LEBANON AT HIS CHEKKA OFFICE. APPARENTLY IN RIPOSTE, PHALANGIST FORCES ON JUNE 13 MURDERED EX-PRESIDENT FRANJIYAH'S SON, THE SON'S WIFE AND A CHILD,

THEREBY ESCALATING THE VENDETTA TO THE HIGHEST POSSIBLE LEVEL.

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7. IN ADDITION TO THE POLITICAL PROBLEMS, THIS FIGHTING HAS HAD SERIOUS ECONOMIC REPERCUSSIONS. CEMENT ACCOUNTS FOR AT LEAST 20 PERCENT OF LEBANON'S EXPORTS. WHEN THE FAYYADIYAH OUTBREAK OF FEBRUARY LED TO THE CLOSING OF THE BEIRUT-DAMASCUS HIGHWAY FOR TWO WEEKS, THE DECLINE IN LEBANON'S EXPORT EARNINGS FOR THE MONTH WAS DUE PRINCIPALLY TO THE LOSS IN CEMENT SALES ABROAD. IN FEBRUARY, THE CEMENT PLANTS CONTINUED PRODUCING, BUT NOW WITH THE PLANTS CLOSED BY THE FIGHTING, LEBANON IS RUNNING ON AVAILABLE INVENTORIES. THE GOL HAS INVOKED A DECREE THAT PERMITS IT TO IMPORT EMERGENCY SUPPLIES OF CEMENT WHICH IT IS ADVERTISING FOR SALE TO DEALERS AT LL 220-325/TON. 1150 TONS ARRIVED THE WEEK OF JUNE 6-13 WITH 3000 TONS ADDITIONAL EXPECTED JUNE 13-20. ON JUNE 9, THE DIRECTOR GENERAL OF INDUSTRY APPEALED TO DEALERS TO MEET LOCAL DEMAND BEFORE SELLING FOR EXPORT, BUT END USE IN FACT WILL BE IMPOSSIBLE TO VERIFY. RETAIL PRICES ON JUNE 14 WERE LL 20/BAG, WHICH EQUATES TO LL 400/TON.

8. THE PLANTS REPORTEDLY REQUIRE 10 DAYS TO REHEAT KILNS TO OPERATING TEMPERATURE FROM DEAD COLD. SINCE THAT PROCESS COULD ONLY FOLLOW A POLITICAL GO-AHEAD, LEBANON FACES A SIGNIFICANT PERIOD WITHOUT BENEFIT OF PRODUCTION DURING WHICH
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CMENTS IMPORTS WILL FURTHER REDUCE EARNINGS FROM EXPORTS. SPECULATORS WILL PROSPER AT THE EXPENSE OF LOCAL BUILDERS AND PUBLIC WORKS PROJECTS WILL BE DELAYED. HOWEVER, THE IMMEDIATE ECONOMIC QUESTIONS ARE NOW DWARFED BY LARGER ONES INVOLVING FUTURE POLITICAL CONTROL OF THE CHEKKA PLANTS, THEIR PHYSICAL SECURITY, THE POSSIBLE ROLE OF THE SYRIANS IN INSULATING THE PLANTS FROM BOTH PARTIES AND/OR IN RESOLVING WHAT IS NOW A MAJOR VENDETTA, AND THE IMPOTENCE OF THE GOVERNMENT AS EXEMPLIFIED BY MINISTER OF INDUSTRY MICHEL DOUMIT WHO HIMSELF OWNS THE LARGEST OF THE CEMENT PLANTS AT CHEKKA AS WELL AS THE ETERNIT FACTORY WHERE THE MESS HALL FIGHT BEGAN. ACTUAL DESTRUCTION OF THE CEMENT PLANTS WOULD BE A BLOW TO LEBANON'S ECONOMY, BUT WE SEE NO REASON WHY THE PLANTS RATHER THAN POLITICAL LEADERS SHOULD BECOME A TARGET OF FIRE. MEANWHILE, AS OFTEN HAPPENS, THE INITIAL OBJECTIVE OF THE ADVERSARIES GROWS LESS SIGNIFICANT AS THE CONTEST EXPANDS TO A NATIONAL RATHER THAN A REGIONAL DIMENSION.

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